

BELLEVUE COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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Bellevue Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Gary Griebel	President	2009
Eunice Schladetzky	Vice President	2008
Curt Hammond	Board Member	2009
Ron Kilburg	Board Member	2008
Randy Blake	Board Member	2007
Board of Education (After September 2007 Election)		
Gary Griebel	President	2009
Eunice Schladetzky	Vice President	2008
Kevin Lundin	Board Member	2010
Curt Hammond	Board Member	2009
Ron Kilburg	Board Member	2008
School Officials		
Mike Healy	Superintendent	2008
Penny Medinger	District Secretary/Treasurer Business Manager	2008
Ahlers & Cooney P.C.	Attorney	2008

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Bellevue Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Bellevue Community School District, Bellevue, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bellevue Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 18, 2009 on our consideration of the Bellevue Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 37 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bellevue Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2007 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

February 18, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Bellevue Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow this section.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,329,541 in fiscal 2007 to \$5,701,909 in fiscal 2008, while General Fund expenditures increased from \$5,605,902 in fiscal 2007 to \$5,910,295 in fiscal 2008. This resulted in a decrease in the District's General Fund balance from \$933,806 in fiscal 2007 to a balance of \$725,420 in fiscal 2008.
- The increase in General Fund revenues was attributable to an increase in local source and state grant revenues during fiscal 2008. The increase in expenditures was due primarily to increases in salaries and benefits for District employees during fiscal 2007.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased from 16.4% at the end fiscal year 2007 to 11.6% at the end of fiscal year 2008. Although there was a decrease of nearly 5%, the District's solvency ratio is still within the guidelines recommended by The State School Budget Review Committee of 5% - 10%.
- The District's total tax levy rate for FY08 increased by \$0.91. The General Fund tax rate increased by \$1.12 due to a considerable increase in TIF districts by the City of Bellevue which decreased the taxable valuation for the school district. The Management levy was increased by \$0.13 to allow the district to increase the management fund balance to an acceptable level to prepare for several anticipated early retirements and unemployment payments. The PPEL levy was decreased by \$0.34 to compensate to some extent for the other increases.
- The state authorized a 4% increase in new monies for school districts in FY08, but due to a decrease in enrollment (650.1 in FY07 to 644.4 in FY08) the Bellevue School District only realized a 3% increase.
- The District invested in an on-line payment system called "Payschools". This software allows parents and guardians to pay on-line by bank debit or credit card for students' breakfast, lunch and book fees at their convenience. A bonus realized was a decrease in the time and expense needed to deal with NSF checks.
- With the cost of gas and diesel reaching an all time high, the District experienced a 47% increase (\$22,000) in those costs to run their vehicles and a 14% increase (\$5,800) in cost for natural gas to heat the buildings.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Bellevue Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Bellevue Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Bellevue Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Bellevue Community School District Annual Financial Report

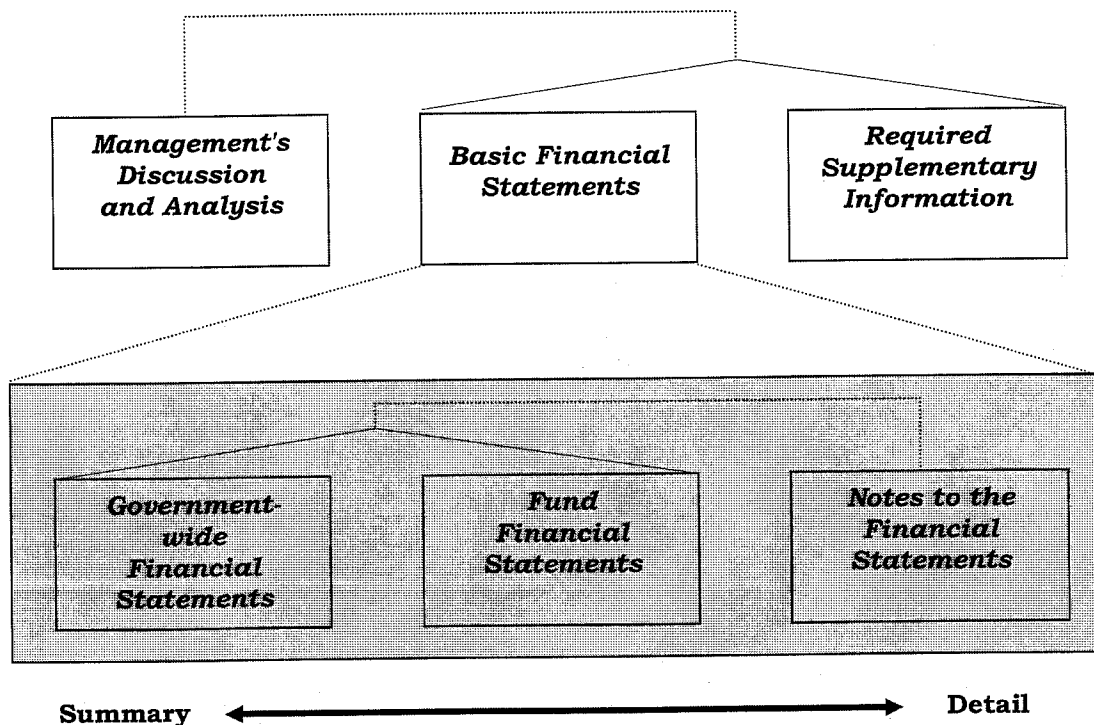


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust Fund and Agency Fund.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - These are funds for which the District administers and accounts for certain conference wide revenues and expenditures for the Big East Conference, of which Bellevue Community School District is a member of.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities June 30,		Business-type Activities June 30,		Total School District June 30,		Total Change June 30, 2007-08
	2008	2007	2008	2007	2008	2007	
Current and other assets	\$ 4,878,738	4,319,510	50,640	45,557	4,929,378	4,365,067	12.93%
Capital assets	2,900,769	2,749,409	7,130	7,403	2,907,899	2,756,812	5.48%
Total assets	7,779,507	7,068,919	57,770	52,960	7,837,277	7,121,879	10.05%
Long-term obligations	381,057	486,429	0	0	381,057	486,429	-21.66%
Other liabilities	3,192,539	2,564,602	20,608	20,575	3,213,147	2,585,177	24.29%
Total liabilities	3,573,596	3,051,031	20,608	20,575	3,594,204	3,071,606	17.01%
Net assets:							
Invested in capital assets, net of related debt	2,560,769	2,334,409	7,130	7,403	2,567,899	2,341,812	9.65%
Restricted	866,610	738,993	0	0	866,610	738,993	17.27%
Unrestricted	778,532	944,486	30,032	24,982	808,564	969,468	-16.60%
Total net assets	\$ 4,205,911	4,017,888	37,162	32,385	4,243,073	4,050,273	4.76%

The District's combined net assets increased by 4.76%, or \$192,800, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by \$127,617, or 17.27% over the prior year. The increase in restricted net assets can be attributed mainly to the increase in fund balance for the Capital Projects and Physical Plant and Equipment Levy Fund.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased by \$160,904, or 16.60%. This decrease was due to the decrease in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 528,678	488,756	151,273	162,269	679,951	651,025	4.44%
Operating grants and contributions and restricted interest	891,961	776,089	87,675	81,951	979,636	858,040	14.17%
Capital grants and contributions and restricted interest	1,734	21,270	0	0	1,734	21,270	-91.85%
General revenues:							
Property tax	2,037,239	1,950,933	0	0	2,037,239	1,950,933	4.42%
Income surtax	106,074	124,471	0	0	106,074	124,471	-14.78%
Local option sales tax	366,095	377,829	0	0	366,095	377,829	-3.11%
Unrestricted state grants	2,573,649	2,431,142	0	0	2,573,649	2,431,142	5.86%
Unrestricted investment earnings	63,621	82,193	1,271	1,642	64,892	83,835	-22.60%
Other general revenues	21,116	44,260	0	0	21,116	44,260	-52.29%
Total revenues	6,590,167	6,296,943	240,219	245,862	6,830,386	6,542,805	4.40%
Program expenses:							
Governmental activities:							
Instruction	4,040,243	3,788,664	0	0	4,040,243	3,788,664	6.64%
Support services	1,987,550	2,119,370	16,721	0	2,004,271	2,119,370	-5.43%
Non-instructional programs	5,312	4,596	218,721	246,016	224,033	250,612	-10.61%
Other expenditures	369,039	349,265	0	0	369,039	349,265	5.66%
Total expenses	6,402,144	6,261,895	235,442	246,016	6,637,586	6,507,911	1.99%
Change in net assets	188,023	35,048	4,777	(154)	192,800	34,894	452.53%
Net assets beginning of year	4,017,888	3,982,840	32,385	32,539	4,050,273	4,015,379	0.87%
Net assets end of year	\$ 4,205,911	4,017,888	37,162	32,385	4,243,073	4,050,273	4.76%

In fiscal 2008, property tax, income surtax, local option sales and services tax and unrestricted state grants account for 77.13% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.47% of the revenue from business type activities.

The District's total revenues were approximately \$6.83 million of which \$6.59 million was for governmental activities and less than \$0.24 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.40% increase in revenues and a 1.99% increase in expenses. Property tax increased \$86,306 and unrestricted state grants increased \$142,507 to fund increases in expenditures. The increase in expenses related to increases in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$6,590,167 and expenses were \$6,402,144.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 4,040,243	3,788,664	6.64%	2,964,512	2,870,568	3.27%
Support services	1,987,550	2,119,370	-6.22%	1,875,772	1,994,818	-5.97%
Non-instructional programs	5,312	4,596	15.58%	5,312	4,596	15.58%
Other expenses	369,039	349,265	5.66%	134,175	105,798	26.82%
Totals	<u>\$ 6,402,144</u>	<u>6,261,895</u>	<u>2.24%</u>	<u>4,979,771</u>	<u>4,975,780</u>	<u>0.08%</u>

- The cost financed by users of the District's programs was \$528,678.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$893,695.
- The net cost of governmental activities was financed with \$2,037,239 in property tax, \$106,074 in income surtax, \$366,095 in local option sales and services tax, \$2,573,649 in unrestricted state grants, \$63,621 in unrestricted investment earnings and \$21,116 in other general revenues.

Business-Type Activities

Revenues and transfers of the District's business-type activities were \$240,219 and expenses were \$235,442. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Bellevue Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,594,901, below last year's ending fund balances of a \$1,640,776.

Governmental Fund Highlights

- The District's decrease in General Fund financial position from \$933,806 to \$725,420 is the product of many factors. Increases in local tax and state grant revenues during the year resulted in an increase in revenues. The increase in expenditures was more than the increase in revenues resulting in a net decrease of \$208,386.
- The Capital Projects Fund balance increased from \$318,234 in fiscal 2007 to \$474,045 in fiscal 2008. Although fund revenues decreased as compared to fiscal 2007, the decrease in fund expenditures as compared to fiscal 2007 ensured the gain in Capital Projects Fund balance.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$32,385 at June 30, 2007 to \$37,162 at June 30, 2008, representing an increase of 14.75%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$7,193 less than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving more in state source revenues than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The district then manages or controls general Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$2,907,899, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 5.48% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$242,038.

The original cost of the District's capital assets was \$6,767,643. Governmental funds account for \$6,752,389 with the remaining of \$15,254 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$618,905 at June 30, 2007, compared to \$704,514 reported at June 30, 2008. The increase is attributable to technology upgrade purchases as well as two new buses during the fiscal year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 29,200	29,200	0	0	29,200	29,200	0.00%
Buildings	1,902,771	1,824,618	0	0	1,902,771	1,824,618	4.28%
Land improvements	271,414	284,089	0	0	271,414	284,089	-4.46%
Machinery and equipment	697,384	611,502	7,130	7,403	704,514	618,905	13.83%
Total	\$ 2,900,769	2,749,409	7,130	7,403	2,907,899	2,756,812	5.48%

Long-Term Debt

At June 30, 2008, the District had \$381,057 revenue bond obligations and early retirement. This represents a decrease of 21.50% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding Revenue Bonds payable of \$340,000 at June 30, 2008.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Levy Fund of \$41,057 at June 30, 2008.

Figure A-7
Outstanding Long-Term Obligations

	Total		Total
	School District		Change
	June 30,	June 30,	June 30,
	2008	2007	2007-08
Revenue Bonds	\$ 340,000	415,000	-18.07%
Early Retirement	41,057	70,402	-41.68%
	<u>\$ 381,057</u>	<u>485,402</u>	<u>-21.50%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The certified enrollment count taken in September of 2008 was 620.7. This count represents a 23.7 student decrease from the prior year. This decrease in students will affect next year's funding. Since the 1998-1999 fiscal year (our highest enrollment year in recent history), we have lost a total of 100 students. All current projections anticipate this decline to continue. District funding is highly dependent upon District enrollments. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- The District will be in the second year of a two-year contract with the teachers union during 2009-2010. The District negotiated a 4.55% total package increase. Salary and benefits represent over 80% of general fund expenditures. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance. The district's unspent balance declined by \$275,000 in FY08. The unspent balance is defined as unspent spending authority; therefore it does not necessarily represent an actual cash balance. It is crucial to note that unspent balance dollars can only be spent once. Dedicating these resources to ongoing costs, such as salaries, would require some other source of revenue or an expenditure adjustment for any subsequent year.
- The district pays 100% of full-family insurance for all full-time certified employees. The health insurance increases in the last three years have been exceptionally low at 0%. It is anticipated that the increase for FY10 will be 5% or less. Health insurance increases in the past have been as high as 20%. Unanticipated high insurance increases after settlement of the union contract could negatively affect the financial health of the District.
- Twelve employees will be eligible for the District's Early Retirement Plan in 2008-2009. If all 12 employees choose to take advantage of the plan, the Management fund would be liable for \$212,000 in early retirement benefits.
- On July 1, 2007 IPERS implemented an employers' contribution increase over a 4-year period. The employers' portion of IPERS increased from 5.75% to 6.05% on July 1, 2007, and will increase to 6.35% on July 1, 2008, to 6.65% on July 1, 2009 and finally to 6.95% on July 1, 2010. This will increase the Bellevue Community Schools' employer benefit costs from \$10,000 in the first year to over \$40,000 by the fourth year.

-
- The state requires public schools to bus nonpublic students in their district, but has failed to allocate enough money in the last 7 years to cover the entire cost of nonpublic transportation. Unless legislation increases that nonpublic allotment in the future, the shortages will continue. Over the last 7 years, this district has been shorted over \$80,000 in nonpublic transportation reimbursements. The district has no other options to recoup those dollars.
 - The District has participated in the instructional support levy since 1997-98. For this levy, schools are allowed to levy for up to an additional 10% of their combined regular program district costs, with the state funding 25% and property tax funding 75% of this levy. When the district began this levy, the state was only funding 55% of their portion. In FY09, the state only funded 24% of their 25% portion. Over the last 12 years, this has resulted in state dollars lost of over \$591,000. Unless the state allocates more dollars to this levy, their portion will continue to decline and the district losses will increase.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Penny Medinger, District Secretary/Treasurer and Business Manager, Bellevue Community School District, 1601 State Street, Bellevue, Iowa, 52031-9766.

BASIC FINANCIAL STATEMENTS

BELLEVUE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP (Note 4)	\$ 354,869	0	354,869
Other	1,868,175	46,564	1,914,739
Receivables:			
Property tax:			
Delinquent	31,418	0	31,418
Succeeding year	2,234,115	0	2,234,115
Income surtax	91,026	0	91,026
Accounts	8,185	211	8,396
Accrued ISCAP interest (Note 4)	134	0	134
Due from other governments	259,897	0	259,897
Prepaid expenses	13,620	0	13,620
Inventories	15,929	3,865	19,794
Bond discounts and bond issue costs	1,370	0	1,370
Capital assets, net of accumulated depreciation (Note 5)	2,900,769	7,130	2,907,899
TOTAL ASSETS	7,779,507	57,770	7,837,277
LIABILITIES			
Accounts payable	57,362	16,432	73,794
Salaries and benefits payable	541,627	0	541,627
ISCAP warrants payable (Note 4)	352,000	0	352,000
ISCAP interest payable (Note 4)	103	0	103
ISCAP unamortized premium	6,037	0	6,037
Interest payable	1,098	0	1,098
Deferred revenue:			
Succeeding year property tax	2,234,115	0	2,234,115
Other	197	0	197
Unearned revenue	0	4,176	4,176
Long-term liabilities (Note 6):			
Portion due within one year:			
Revenue bonds payable	80,000	0	80,000
Early retirement payable	16,723	0	16,723
Portion due after one year:			
Revenue bonds payable	260,000	0	260,000
Early retirement payable	24,334	0	24,334
TOTAL LIABILITIES	3,573,596	20,608	3,594,204
NET ASSETS			
Invested in capital assets, net of related debt	2,560,769	7,130	2,567,899
Restricted for:			
Talented and gifted	22,644	0	22,644
Market factor	2,268	0	2,268
Phase II	161	0	161
Textbook aid	211	0	211
Model core curriculum	4,000	0	4,000
Professional development	4,425	0	4,425
Market factor incentives	4,477	0	4,477
Capital projects	474,045	0	474,045
Management levy	144,998	0	144,998
Physical plant and equipment levy	117,947	0	117,947
Other special revenue purposes	91,434	0	91,434
Unrestricted	778,532	30,032	808,564
TOTAL NET ASSETS	\$ 4,205,911	37,162	4,243,073

SEE NOTES TO FINANCIAL STATEMENTS.

BELLEVUE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business- Type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,558,971	303,676	509,527	0	(1,745,768)	0
Special instruction	722,817	39,722	40,770	0	(642,325)	0
Other instruction	758,455	173,344	8,692	0	(576,419)	0
	<u>4,040,243</u>	<u>516,742</u>	<u>558,989</u>	<u>0</u>	<u>(2,964,512)</u>	<u>0</u>
Support services:						
Student services	152,619	0	0	0	(152,619)	0
Instructional staff services	226,017	0	0	0	(226,017)	0
Administration services	632,926	0	0	0	(632,926)	0
Operation and maintenance of plant services	507,199	0	0	0	(507,199)	0
Transportation services	468,789	11,936	99,842	0	(357,011)	0
	<u>1,987,550</u>	<u>11,936</u>	<u>99,842</u>	<u>0</u>	<u>(1,875,772)</u>	<u>0</u>
Non-instructional programs						
Food service operations	5,312	0	0	0	(5,312)	0
Other expenditures:						
Facilities acquisitions	20,772	0	0	1,734	(19,038)	0
Long-term debt interest	16,547	0	0	0	(16,547)	0
AEA flowthrough	233,130	0	233,130	0	0	0
Depreciation(unallocated)*	98,590	0	0	0	(98,590)	0
	<u>369,039</u>	<u>0</u>	<u>233,130</u>	<u>1,734</u>	<u>(134,175)</u>	<u>0</u>
Total governmental activities	6,402,144	528,678	891,961	1,734	(4,979,771)	0
Business-Type activities:						
Support services:						
Administration services	8,944	0	0	0	(8,944)	(8,944)
Operation and maintenance of plant services	7,777	0	0	0	(7,777)	(7,777)
Non-instructional programs:						
Nutrition services	218,721	151,273	87,675	0	0	20,227
Total business-type activities	<u>235,442</u>	<u>151,273</u>	<u>87,675</u>	<u>0</u>	<u>0</u>	<u>3,506</u>
Total	<u>\$ 6,637,586</u>	<u>679,951</u>	<u>979,636</u>	<u>1,734</u>	<u>(4,979,771)</u>	<u>3,506</u>
General Revenues:						
Property tax for:						
General purposes				\$ 1,939,421	0	1,939,421
Capital outlay				97,818	0	97,818
Income surtax				106,074	0	106,074
Local option sales and services tax				366,095	0	366,095
Unrestricted state grants				2,573,649	0	2,573,649
Unrestricted investment earnings				63,621	1,271	64,892
Other general revenues				21,116	0	21,116
Total general revenues				<u>5,167,794</u>	<u>1,271</u>	<u>5,169,065</u>
Changes in net assets				188,023	4,777	192,800
Net assets beginning of year				<u>4,017,888</u>	<u>32,385</u>	<u>4,050,273</u>
Net assets end of year				<u>\$ 4,205,911</u>	<u>37,162</u>	<u>4,243,073</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

BELLEVUE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Other Nonmajor Governmental Funds	Total
ASSETS			
Cash and pooled investments:			
ISCAP(Note 4)	\$ 354,869	0	354,869
Other	1,115,793	752,382	1,868,175
Receivables:			
Property tax			
Delinquent	28,005	3,413	31,418
Succeeding year	1,925,853	308,262	2,234,115
Income surtax	0	91,026	91,026
Accounts	8,185	0	8,185
Accrued ISCAP interest(Note 4)	134	0	134
Due from other governments	145,994	113,903	259,897
Prepaid expenses	11,815	1,805	13,620
Inventories	15,929	0	15,929
TOTAL ASSETS	\$ 3,606,577	1,270,791	4,877,368
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 56,502	860	57,362
Salaries and benefits payable	540,465	1,162	541,627
ISCAP warrants payable(Note 4)	352,000	0	352,000
ISCAP interest payable(Note 4)	103	0	103
ISCAP unamortized premium	6,037	0	6,037
Deferred revenue:			
Succeeding year property tax	1,925,853	308,262	2,234,115
Income surtax	0	91,026	91,026
Other	197	0	197
Total liabilities	2,881,157	401,310	3,282,467
Fund balances:			
Reserved for:			
Talented and gifted	22,644	0	22,644
Market factor	2,268	0	2,268
Phase II	161	0	161
Textbook aid	211	0	211
Model core curriculum	4,000	0	4,000
Professional development	4,425	0	4,425
Market factor incentives	4,477	0	4,477
Prepaid expenses	11,815	0	11,815
Inventories	15,929	0	15,929
Unreserved	659,490	869,481	1,528,971
Total fund balances	725,420	869,481	1,594,901
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,606,577	1,270,791	4,877,368

SEE NOTES TO FINANCIAL STATEMENTS.

BELLEVUE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2008

Total fund balances of governmental funds (page 16)	\$ 1,594,901
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	2,900,769
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	91,026
Bond issue costs and bond discounts are an expense when incurred in the governmental funds, but are capitalized and amortized over the life of the bonds for the government-wide financial statements.	1,370
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(1,098)
Long-term liabilities, including revenue bonds, and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(381,057)
Net assets of governmental activites (page 14)	<u>\$ 4,205,911</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BELLEVUE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Other Nonmajor Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,811,904	719,145	2,531,049
Tuition	330,321	0	330,321
Other	120,163	190,330	310,493
Intermediate sources	7,392	0	7,392
State sources	3,246,261	235	3,246,496
Federal sources	185,868	189	186,057
Total revenues	5,701,909	909,899	6,611,808
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	2,471,189	76,266	2,547,455
Special instruction	772,229	0	772,229
Other instruction	615,535	147,331	762,866
	3,858,953	223,597	4,082,550
Support services:			
Student services	147,832	4,303	152,135
Instructional staff services	218,937	468	219,405
Administration services	628,122	25,586	653,708
Operation and maintenance of plant services	452,983	47,999	500,982
Transportation services	370,338	168,691	539,029
	1,818,212	247,047	2,065,259
Non-instructional programs:			
Food service operations	0	5,312	5,312
Other expenditures:			
Facilities acquisitions	0	180,051	180,051
Long-term debt:			
Principal	0	75,000	75,000
Interest and fiscal charges	0	16,381	16,381
AEA flowthrough	233,130	0	233,130
	233,130	276,744	504,562
Total expenditures	5,910,295	747,388	6,657,683
Excess (deficiency) of revenues over (under) expenditures	(208,386)	162,511	(45,875)
OTHER FINANCING SOURCES (USES):			
Transfer in	0	91,381	91,381
Transfer out	0	(91,381)	(91,381)
Total other financing sources (uses)	0	0	0
Net change in fund balances	(208,386)	162,511	(45,875)
Fund balance beginning of year	933,806	706,970	1,640,776
Fund balance end of year	\$ 725,420	869,481	1,594,901

SEE NOTES TO FINANCIAL STATEMENTS.

BELLEVUE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds (page 18) \$ (45,875)

**Amounts reported for governmental activities in the
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense, capital outlay expenditures and loss on asset disposal are as follows:

Expenditures for capital assets	\$ 392,549	
Depreciation expense	(240,815)	
Loss on asset disposal	(374)	
	151,360	

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are

Repaid 75,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.

(21,641)

Bond issue costs and bond discounts are reported as expenses in the fund financial statements, but are capitalized and amortized over the life of the bonds for the government-wide financial statements.

(342)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in the governmental funds, as follows:

Early Retirement		29,345
------------------	--	--------

Changes in net assets of governmental activities (page 15) \$ 188,023

SEE NOTES TO FINANCIAL STATEMENTS.

BELLEVUE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 46,564
Accounts receivable	211
Inventories	3,865
Capital assets, net of accumulated depreciation (Note 5)	7,130
TOTAL ASSETS	<u>57,770</u>
LIABILITIES	
Accounts payable	16,432
Unearned revenue	4,176
TOTAL LIABILITIES	<u>20,608</u>
NET ASSETS	
Invested in capital assets	7,130
Unrestricted	30,032
TOTAL NET ASSETS	<u>\$ 37,162</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BELLEVUE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	<u>\$ 151,273</u>
OPERATING EXPENSES:	
Support services:	
Administration services:	
Salaries	6,534
Benefits	897
Services	1,513
Operation and maintenance of plant services:	
Salaries	6,839
Benefits	938
Total support services	<u>16,721</u>
Non-instructional programs:	
Food service operations:	
Salaries	86,979
Benefits	16,434
Services	1,357
Supplies	112,728
Depreciation	1,223
Total non-instructional programs	<u>218,721</u>
TOTAL OPERATING EXPENSES	<u>235,442</u>
OPERATING LOSS	(84,169)
NON-OPERATING REVENUES:	
State sources	3,029
Federal sources	84,646
Interest income	1,271
TOTAL NON-OPERATING REVENUES	<u>88,946</u>
Change in net assets	4,777
Net assets beginning of year	<u>32,385</u>
Net assets end of year	<u>\$ 37,162</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BELLEVUE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 151,567
Cash payments to employees for services	(118,953)
Cash payments to suppliers for goods or services	(101,229)
Net cash used in operating activities	<u>(68,615)</u>
Cash flows from non-capital financing activities:	
State grants received	3,029
Federal grants received	70,743
Net cash provided by non-capital financing activities	<u>73,772</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	<u>(950)</u>
Cash flows from investing activities:	
Interest on investments	<u>1,271</u>
Net increase in cash and cash equivalents	5,478
Cash and cash equivalents at beginning of year	<u>41,086</u>
Cash and cash equivalents at end of year	<u>\$ 46,564</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (84,169)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	13,903
Depreciation	1,223
Decrease in inventories	466
Increase in accounts receivable	(71)
Decrease in salaries and benefits payable	(332)
Increase in unearned revenue	365
Net cash used in operating activities	<u>\$ (68,615)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 46,564</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received
Federal commodities valued at \$13,903.

SEE NOTES TO FINANCIAL STATEMENTS.

BELLEVUE COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2008

	<u>Agency</u>
ASSETS	
Cash and pooled investments	\$ 137
Accounts receivable	6,894
	<u>7,031</u>
LIABILITIES	
Due to other groups	<u>7,031</u>
NET ASSETS	<u>\$ 0</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BELLEVUE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2008

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 6,250
Deductions:	
Instruction:	
Regular instruction:	
Scholarships awarded	6,250
Change in net assets	0
Net assets beginning of year	0
Net assets end of year	<u>\$ 0</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BELLEVUE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The Bellevue Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Bellevue, Iowa, and the predominately agricultural territory in Jackson County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Bellevue Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Bellevue Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Jackson County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The District also reports the following proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB

pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 0
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough

thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Bond Discounts, Premiums and Issuance Costs - Bond issuance costs and bond discounts and premiums are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method in the government-wide financial statements.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances;

certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 211

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investor's Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 91,381

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09A	6/26/08	6/25/09	\$ 354,869	134	352,000	103

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn,

then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2008.

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest	Interest
	Rates on Warrants	Rates on Investments
2008-09A	3.500%	3.469%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 29,200	0	0	29,200
Total capital assets not being depreciated	29,200	0	0	29,200
Capital assets being depreciated:				
Buildings	3,525,889	149,480	0	3,675,369
Land improvements	508,632	5,707	0	514,339
Machinery and equipment	2,322,133	237,362	26,014	2,533,481
Total capital assets being depreciated	6,356,654	392,549	26,014	6,723,189
Less accumulated depreciation for:				
Buildings	1,701,271	71,327	0	1,772,598
Land improvements	224,543	18,382	0	242,925
Machinery and equipment	1,710,631	151,106	25,640	1,836,097
Total accumulated depreciation	3,636,445	240,815	25,640	3,851,620
Total capital assets being depreciated, net	2,720,209	151,734	374	2,871,569
Governmental activities capital assets, net	\$ 2,749,409	151,734	374	2,900,769

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 14,304	950	0	15,254
Less accumulated depreciation	6,901	1,223	0	8,124
Business-type activities capital assets, net	\$ 7,403	(273)	0	7,130

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 23,317
Special	18,992
Other	2,083

Support services:

Student	484
Instructional staff	9,841
Administration	8,563
Operation and maintenance of plant	7,167
Transportation	71,778
	<u>142,225</u>

Unallocated depreciation

98,590

Total governmental activities depreciation expense

\$ 240,815

Business-type activities:

Food services

\$ 1,223

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance			Balance	Due
	Beginning			End of	Within
	of Year	Additions	Deletions	Year	One Year
Revenue Bonds	\$ 415,000	0	75,000	340,000	80,000
Early Retirement	70,402	57,628	86,973	41,057	16,723
	<u>\$ 485,402</u>	<u>57,628</u>	<u>161,973</u>	<u>381,057</u>	<u>96,723</u>

Revenue Bonds Payable

Details of the District's June 30, 2008 local option sales and services tax revenue bonded indebtedness is as follows:

Year	Bond issue of November 1, 2002			
Ending	Interest			
June 30,	Rates	Principal	Interest	Total
2009	3.875	\$ 80,000	13,175	93,175
2010	3.875	85,000	10,075	95,075
2011	3.875	85,000	6,781	91,781
2012	3.875	90,000	3,488	93,488
Total		<u>\$ 340,000</u>	<u>33,519</u>	<u>373,519</u>

The District has pledged future local option sales and services tax revenues to repay the \$340,000 bonds issued November 1, 2002. The bonds were issued for the purpose of defraying a portion of the cost of renovations at the middle school. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2012. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 22

percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$373,519. For the current year \$91,081 in principal and interest was paid on the bonds and total local option sales and services tax revenues were \$366,095.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$73,500 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Early Retirement

The District offers the following early retirement plans to its employees:

Administration - Eligible employees must be at least age fifty-eight and must have completed fifteen years of administrative service or a combination of twenty-five years of teaching and administrative service with at least the final five years of said service in administration. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 40% of the administrator's salary at the time of employment. The District will provide health insurance from age 58 to 65, or until the retiree becomes insured through another plan.

Teachers - Eligible employees must be at least age fifty-five and must have completed twenty years of full time employment or its equivalence. Employees must complete a written application which is required to be approved by the Board of Education. The early retirement incentive for each eligible teacher is equal to 150% of substitute pay multiplied by 30 days of unused sick leave.

Non-certified - Eligible employees must be at least age fifty-five and must have completed twenty years of full-time continuous service. Employees must complete an application for early retirement which must be approved by the Board of Education. The early retirement incentive is equal to an amount representing fifty days of pay at the employee's rate of pay at the time of retirement.

During the year ended June 30, 2008, the District paid a total of \$86,973 in early retirement benefits.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by

State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$217,772, \$197,173 and \$188,371, respectively, equal to the required contributions for each year.

(8) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$233,130 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Other Matters:

In January 2003, the District entered into an agreement with a soft drink company in which the District agreed to purchase beverages exclusively from this company through January 30, 2013. In return, the soft drink company provided the District with two outdoor scoreboards. In the event this agreement is ended prematurely, the District would be required to reimburse the soft drink company for a percentage of the purchase cost of the two scoreboards.

REQUIRED SUPPLEMENTARY INFORMATION

BELLEVUE COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2008

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types Actual	Fund Type Actual		Original	Final	
Revenues:						
Local sources	\$ 3,171,863	152,544	3,324,407	3,339,529	3,339,529	(15,122)
Intermediate sources	7,392	0	0	217	217	(217)
State sources	3,246,496	3,029	3,249,525	3,222,450	3,222,450	27,075
Federal sources	186,057	84,646	270,703	289,632	289,632	(18,929)
Total revenues	6,611,808	240,219	6,844,635	6,851,828	6,851,828	(7,193)
Expenditures:						
Instruction	4,082,550	0	4,082,550	4,918,318	4,918,318	835,768
Support services	2,065,259	16,721	2,081,980	2,393,504	2,393,504	311,524
Non-instructional programs	5,312	218,721	224,033	336,104	336,104	112,071
Other expenditures	504,562	0	504,562	1,038,699	1,038,699	534,137
Total expenditures	6,657,683	235,442	6,893,125	8,686,625	8,686,625	1,793,500
Excess(deficiency) of revenues over(under) expenditures	(45,875)	4,777	(48,490)	(1,834,797)	(1,834,797)	1,786,307
Other financing sources, net	0	0	0	2,172	2,172	(2,172)
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(45,875)	4,777	(48,490)	(1,832,625)	(1,832,625)	1,784,135
Balances beginning of year	1,640,776	32,385	1,673,161	1,913,715	1,913,715	(240,554)
Balances end of year	\$ 1,594,901	37,162	1,624,671	81,090	81,090	1,543,581

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BELLEVUE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

BELLEVUE COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Nonmajor Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Other Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 183,428	91,434	116,495	391,357	361,025	752,382
Receivables:						
Property tax:						
Delinquent	1,971	0	1,442	3,413	0	3,413
Succeeding year property tax	140,000	0	168,262	308,262	0	308,262
Income surtax	0	0	91,026	91,026	0	91,026
Due from other governments	13	0	10	23	113,880	113,903
Prepaid expenses	1,805	0	0	1,805	0	1,805
TOTAL ASSETS	\$ 327,217	91,434	377,235	795,886	474,905	1,270,791
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 0	0	0	0	860	860
Salaries and benefits payable	1,162	0	0	1,162	0	1,162
Deferred revenue:						
Succeeding year property tax	140,000	0	168,262	308,262	0	308,262
Income surtax	0	0	91,026	91,026	0	91,026
Total liabilities	141,162	0	259,288	400,450	860	401,310
Unreserved fund balances	186,055	91,434	117,947	395,436	474,045	869,481
TOTAL LIABILITIES AND FUND BALANCES	\$ 327,217	91,434	377,235	795,886	474,905	1,270,791

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BELLEVUE COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	Nonmajor Special Revenue Funds						Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Capital Projects	Other Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	\$ 127,517	0	225,533	353,050	0	366,095	719,145
Other	19,438	156,613	3,728	179,779	0	10,551	190,330
State sources	133	0	102	235	0	0	235
Federal sources	110	0	79	189	0	0	189
TOTAL REVENUES	147,198	156,613	229,442	533,253	0	376,646	909,899
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	68,428	0	7,838	76,266	0	0	76,266
Other instruction	0	147,331	0	147,331	0	0	147,331
Support services:							
Student services	4,303	0	0	4,303	0	0	4,303
Instructional staff services	468	0	0	468	0	0	468
Administration services	25,586	0	0	25,586	0	0	25,586
Operation and maintenance of plant services	47,049	0	950	47,999	0	0	47,999
Transportation services	28,173	0	140,518	168,691	0	0	168,691
Non-instructional:							
Food service operations	5,312	0	0	5,312	0	0	5,312
Other expenditures:							
Facilities acquisition	0	0	50,597	50,597	0	129,454	180,051
Long-term debt:							
Principal	0	0	0	0	75,000	0	75,000
Interest and fiscal charges	0	0	0	0	16,381	0	16,381
TOTAL EXPENDITURES	179,319	147,331	199,903	526,553	91,381	129,454	747,388
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(32,121)	9,282	29,539	6,700	(91,381)	247,192	162,511
OTHER FINANCING SOURCES (USES):							
Transfer in	0	0	0	0	91,381	0	91,381
Transfer out	0	0	0	0	0	(91,381)	(91,381)
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0	0	91,381	(91,381)	0
Net change in fund balances	(32,121)	9,282	29,539	6,700	0	155,811	162,511
Fund balances beginning of year	218,176	82,152	88,408	388,736	0	318,234	706,970
Fund balances end of year	\$ 186,055	91,434	117,947	395,436	0	474,045	869,481

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BELLEVUE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
JH/SR Athletics	\$ 8,721	47,788	46,943	9,566
Pep club	1,578	331	71	1,838
JH Sadd	592	1,165	1,405	352
HS Sadd	112	3	0	115
Cheerleading	(142)	3,931	3,133	656
Spanish Club	4,954	0	(94)	5,048
Musical/Play	3,824	984	448	4,360
Letterman's Club	1,118	1,040	1,530	628
Boy's Basketball	0	2,469	1,096	1,373
FFA	1,124	224	645	703
Dance Team	2,231	10,932	11,127	2,036
FBLA	123	1,533	1,606	50
Elementary	10,335	6,250	4,794	11,791
Preschool	1,203	379	514	1,068
Band	2,794	53	0	2,847
Vocal	649	12	0	661
Color guard	64	175	63	176
Band resale	(2,850)	623	840	(3,067)
Music Boosters	27,425	11,606	11,373	27,658
Class 2008	2,079	180	2,259	0
Class 2009	142	6,884	6,138	888
Class 2010	900	1,129	455	1,574
Class 2011	0	1,751	881	870
HS Yearbook	3,787	14,315	14,047	4,055
JH Yearbook	1,738	445	465	1,718
HS Student Council	2,756	28,079	26,705	4,130
JH Student Council	2,225	11,439	8,185	5,479
Interest	0	1,964	1,964	0
Concessions	4,670	929	738	4,861
Total	\$ 82,152	156,613	147,331	91,434

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BELLEVUE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2008

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 4,798	33,453	38,114	137
Accounts receivable	3,337	6,894	3,337	6,894
TOTAL ASSETS	<u>\$ 8,135</u>	<u>40,347</u>	<u>41,451</u>	<u>7,031</u>
LIABILITIES				
Due to other groups	8,135	40,347	41,451	7,031
TOTAL LIABILITIES	<u>\$ 8,135</u>	<u>40,347</u>	<u>41,451</u>	<u>7,031</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BELLEVUE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST SEVEN YEARS

	Modified Accrual Basis						
	Years Ended June 30,						
	2008	2007	2006	2005	2004	2003	2002
Revenues:							
Local sources:							
Local tax	\$ 2,531,049	2,389,620	2,313,586	2,159,390	2,269,904	1,920,881	1,647,758
Tuition	330,321	283,742	252,472	230,006	199,156	207,804	145,934
Other	310,493	330,782	384,018	316,851	285,445	272,448	334,051
Intermediate sources	7,392	3,584	819	2,869	2,422	4,046	713
State sources	3,246,496	3,040,874	2,953,440	2,845,615	2,657,970	2,826,425	2,799,037
Federal sources	186,057	182,353	217,658	272,128	293,914	245,145	292,417
Total	\$ 6,611,808	6,230,955	6,121,993	5,826,859	5,708,811	5,476,749	5,219,910
Expenditures:							
Current:							
Instruction:							
Regular instruction	\$ 2,547,455	2,414,925	2,195,795	2,153,251	2,144,939	2,074,235	2,080,749
Special instruction	772,229	692,832	719,410	581,232	675,876	695,963	638,447
Other instruction	762,866	716,904	624,042	655,629	542,372	512,655	488,613
Support services:							
Student services	152,135	138,638	128,072	121,377	107,197	101,766	93,760
Instructional staff services	219,405	247,715	271,116	209,344	224,553	200,120	180,180
Administration services	653,708	678,779	614,044	572,193	528,566	522,703	512,901
Operation and maintenance of plant services	500,982	476,967	485,668	438,897	408,172	390,310	380,472
Transportation services	539,029	530,539	393,797	481,302	430,656	373,646	340,290
Central support services	0	0	0	0	0	1,077	0
Non-instructional programs	5,312	4,596	5,731	3,622	2,508	2,300	2,036
Other expenditures:							
Facilities acquisitions	180,051	466,029	329,771	383,790	74,350	266,562	573,886
Long-term debt:							
Principal	75,000	75,000	70,000	65,000	60,000	50,000	0
Interest and fiscal charges	16,381	19,288	22,000	24,519	26,844	35,977	0
AEA flow-through	233,130	222,197	212,209	205,319	201,473	216,669	218,532
Total	\$ 6,657,683	6,684,409	6,071,655	5,895,475	5,427,506	5,443,983	5,509,866

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Bellevue Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Bellevue Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 18, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bellevue Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Bellevue Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bellevue Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Bellevue Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Bellevue Community School District's financial statements that is more than inconsequential will not be prevented or detected by Bellevue Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Bellevue Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bellevue Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Bellevue Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Bellevue Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Bellevue Community School District and other parties to whom Bellevue Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Bellevue Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

February 18, 2009

BELLEVUE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over data processing in general, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to monitor controls and implement procedures when feasible.

Conclusion - Response accepted.

- I-B-08 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Per Chapter 9 of the LEA Financial Accounting Manual, "The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8)." Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

Currently, donations from Target are recorded in the Elementary account in the Student Activity Fund. Target donations are considered an undesignated donation; therefore, they should be receipted into the General Fund for use as determined by the District's Board of Directors. The designation should be noted annually in the District's board minutes.

The Concessions account appears to be administratively maintained and appears to be comprised of revenues generated from beverage machines located in the District's employee break rooms. The District should review the purpose of this account and if the aforementioned is the purpose for the account; the remaining funds would be more appropriate in the General Fund. If the District's Board of Directors deems that profits

from this account is a fundraiser for a student run organization, the profits should be placed into the corresponding activity fund account that the fundraiser is intended for. At the end of the fiscal year this account should show a zero balance.

The HS Student Council account awards a scholarship from proceeds from fundraising during the year. When fundraising takes place the revenues should be recorded in the fund that may legally pay for the purpose of the fundraiser. Scholarships are most appropriately paid from the Private Purpose Trust Fund; therefore, proceeds from scholarship fundraising should be placed and expended from the Private Purpose Trust Fund.

When the District writes checks for scholarship awards, the check is written to the student only. A better practice would be for the District to write the check to the individual and the college/university the student is attending once the student has supplied proof of attendance to the District.

The District should review the properness of receipts and expenditures that are recorded in the Student Activity Fund. The District should also review procedures that are in place in regards to the Activity Fund and follow the suggested recommendations to gain compliance and better internal controls.

Response - We will review and scrutinize the receipts and expenditures more carefully before recording them in the Student Activity Fund. If receipts and expenditures are not appropriate for the Student Activity Fund they will be recorded in the most appropriate fund.

The concession income is derived from the vending machines in the lunchroom and will be moved to the General Fund for electronic sign maintenance and academic awards.

In the future, funds raised by the student council for scholarships will be receipted and expended from the Private Purpose Trust account. Checks written for scholarships will be made out to both the student and the college/university the student is attending once proof of attendance is supplied to the District.

Conclusion - Response accepted.

I-C-08 Commodity Pricing - We noted during our audit of the Enterprise, School Nutrition Fund that the District did not price out the commodity inventory using the correct values at the end of the year.

Recommendation - The District should review procedures in place for calculation of commodity inventory prices. The State of Iowa provides a price guide listing of values to be used in the calculation. The District needs to use the correct price values in calculating the inventory value at year end.

Response - We will use the State of Iowa's pricing guide listing to correctly calculate commodity inventory values at year end.

Conclusion - Response accepted.

I-D-08 Purchase Orders - We noted during our audit that the District currently uses purchases orders in the purchasing process, however purchase orders were being completed after the product had been ordered.

Recommendation -The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - We will train our employees on the appropriate use and timing of purchase orders.

Conclusion - Response accepted.

BELLEVUE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

II-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, did not exceed the amount budgeted.

II-B-08 Questionable Disbursements - We noted during our audit that the District wrote checks that were subsequently cashed for the purchase of gift cards/gas cards. These cards were then given to students as incentive prizes for being top sellers during fundraising activities. Sales incentives do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - We will review the practice of giving students gift cards/gas cards as sales incentives and adjust our procedures to comply.

Conclusion - Response accepted.

II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

However, we noted during the audit that the District was reimbursing employee travel for mileage at the rate of thirty-four and thirty-nine cents per mile. Board Policy 401.12 states that the reimbursement rate for mileage for employees is twenty-one cents per mile.

Recommendation - The District should review Board Policy 401.12 and update it to the most current rate that the District's Board of Directors has approved.

Response - We will review and update Board Policy 401.12 to reflect current practices regarding mileage reimbursements.

Conclusion - Response accepted.

II-D-08 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Curt Hammond, Board Member Owner Hammond's Drive In	Supplies	\$428
Jill Ruggeberg, Teacher Spouse owns Bellevue Dairy Products	Food Purchases	\$27,541
Steve Lucke, Teacher Owns Lucke Fine Arts	Supplies	\$162
James Mueller, Bus Driver Owns Mueller Auto Repair	Purchased Services	\$2,070

In accordance with the Chapter 279.7A of the code of Iowa, the above transactions with Mr. Hammond do not appear to represent a conflict of interest.

In accordance with Attorney General's opinion dated November 9, 1976, the above transactions with the spouse of Mrs. Ruggeberg do not appear to represent a conflict of interest.

In accordance with the Attorney's General's opinion dated July 2, 1990, the above transactions with Mr. Lucke and Mr. Mueller do not appear to represent a conflict of interest.

- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-J-08 Financial Condition - We also noted during our audit one deficit account balance in the Special Revenue, Student Activity Fund of \$3,067.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

Response - The District will monitor these funds and investigate alternatives to eliminate the deficits.

Conclusion - Response accepted.

- II-K-08 PPEL Expenditures - We noted during our audit that the District is currently making purchases from the Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund which do not appear to be in compliance with Chapter 423 and 298 of the Code of Iowa. The District had expenditures for preventative and routine maintenance. Expenditures for these purposes would be more appropriate from the General Fund.

Recommendation - Since the District had allowable PPEL Fund expenditures from the General Fund, we did not request a corrective transfer on the financial statements. The District should review Chapter 423 and Chapter 298 of the Code of Iowa for allowability of expenditures from the PPEL Fund.

Response - We will review Chapter 423 and Chapter 298 of the Code of Iowa for allowable expenditures from the PPEL Fund and adjust our practices accordingly.

Conclusion - Response accepted.